

DATE: AUGUST 4, 2020

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF A THIRD AMENDMENT TO FOREIGN-TRADE ZONE DEVELOPER AGREEMENT NO. 2401 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND 11850 RIVERSIDE LLC. FTZ 202, SITE 20

SUMMARY:

Staff requests approval of a Third Amendment to Foreign-Trade Zone (FTZ) Developer Agreement No. 2401 between the City of Los Angeles Harbor Department (Harbor Department) and 11850 Riverside LLC. (Riverside) to continue to maintain their FTZ status and promote the FTZ Program within FTZ 202, Site 20, located in Mira Loma, California. Riverside is a real estate investment firm whose principal address is located in Newport Beach, California. Riverside's current FTZ Developer Agreement No. 2401 will expire on October 31, 2020. The Third Amendment will extend the term of the Developer Agreement by five years to November 1, 2025. It is necessary for the Harbor Department to execute the Third Amendment to extend the Agreement, as required by the FTZ Board.

Site 20 consists of 141.79 acres of warehouse and office space of which Riverside owns approximately 26.97 acres. The other properties on Site 20 are owned by IDI Corporation and State Teachers Retirement System of Ohio CA Real Estate Investment II LLC. The property is located approximately 64 miles north of the Port of Los Angeles. The proposed Third Amendment will not require funding by the Harbor Department.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the proposed Third Amendment to Foreign-Trade Zone Developer Agreement No. 2401 between the City of Los Angeles Harbor Department and 11850 Riverside LLC.;
3. Direct the Board Secretary to transmit the proposed Third Amendment to Foreign-Trade Zone Developer Agreement No. 2401 to the Los Angeles City Council for approval pursuant to Section 373 of the Charter of the City of Los Angeles and Section 10.5 of the Los Angeles Administrative Code;

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4. Authorize the Executive Director to execute and the Board Secretary to attest to the proposed Third Amendment to Foreign-Trade Zone Developer Agreement No. 2401; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background and Context – The FTZ Act of 1934, as amended (19 U.S.C. 81a-81u), was established to support U.S. commerce and create jobs by reducing import duties or excise taxes by deferring payment of duties, thereby making it attractive for companies to perform some work on their products in the U.S. rather than offshore. The definition of an FTZ is a restricted access site located in the U.S. Customs and Border Protection territories. The importer may defer payment of duties and other fees until the merchandise is brought into the U.S. for consumption. The Harbor Department, as the grantee, is required by the FTZ Board to have a Developer Agreement with FTZ site owners.

Need for Agreement – The original term for Developer Agreement No. 2401 with Riverside was effective from November 1, 2005 to October 31, 2010, with three, five-year renewal options. The Harbor Department recently received a request from Riverside to exercise its third renewal option to extend the term of its Developer Agreement at FTZ 202, Site 20. Under this Third Amendment (Transmittal 1), Riverside will continue to provide the Harbor Department with updated land use information, promote the FTZ program, and submit an annual report. This Third Amendment does not permit warehouse operations, only use of the FTZ designation in marketing the industrial park.

Approving the proposed Amendment with Riverside creates an entity that confers, among other advantages, tax and operating benefits to the operator, and provides a tool for economic development. As the Harbor Department is a designated grantee of FTZs under the State of California enabling legislation, granting FTZ status to an operator allows more efficient operations and allows Riverside to remain competitive.

Need for Approval – Riverside is requesting approval from the Harbor Department to execute the proposed Third Amendment to extend Developer Agreement No. 2401 for a term of five years in order to continue maintaining FTZ status for this property (Transmittals 2 and 3). If approval is not granted, Riverside will lose their current FTZ status, which is required by the FTZ Board. Riverside will not be able to offer additional incentives to attract new business to the Los Angeles economic area. Its tenants potentially have the choice of going to another FTZ in California such as Long Beach, San Diego, Palmdale, or even going out of state. Since FTZ facilities exist in every state, Riverside's tenants could potentially shift its employees to other FTZ facilities if the proposed Amendment is not approved.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a Third Amendment to FTZ Developer Agreement No. 2401 with Riverside, which is an administrative activity. Therefore, the Director of

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Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

As a developer, Riverside was required to pay an initial one-time fee of \$2,500 to the Harbor Department. No additional costs are required for Riverside to maintain the site. However, when a site is activated within the developer's area, each individual site operator will pay the Harbor Department a \$5,000 one-time activation fee and a \$7,750 or \$10,000 annual fee (per FTZ Tariff No. 2). No Harbor Department funds are required for the actions granted by this Board item.

Although there is no direct cost to the Harbor Department arising from this proposed Board action, the Harbor Department does incur FTZ-related expenses. During Fiscal Year 2020, unaudited revenues of \$361,536 were collected from Harbor Department FTZ operators relative to FY 2020 unaudited expenses of \$30,181 incurred by the Harbor Department for consulting services.

CITY ATTORNEY:

The Office of the City Attorney has prepared and approved the proposed Third Amendment as to form and legality.

TRANSMITTALS:

1. Proposed Third Amendment to FTZ Developer Agreement with 11850 Riverside LLC, FTZ 202, Site 20
2. FTZ 202, Site 20 Map
3. FTZ 202, Service Area Map

FIS Approval: MB
CA Approval: YMB



ERIC CARIS
Director of Cargo Marketing



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director